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PPA Group Closes On 188-Unit Value-Add

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IRVING, TX-The PPA Group has bought the 188-unit Knollwood Apartments at a significant discount to its \$5.87-million ask. The 96%-leased value-add play has been under contract since May.

"We were going to assume the loan, but we hit a barrier with the lender. That plan was dropped and the seller defeased," Monte K. Lee-Wen, president of Austin-based PPA Group, tells GlobeSt.com. He says the deal for 2727 W. Walnut Hill Lane was sealed with a five-year Fannie Mae loan at a 6.41% fixed-rate interest. Keith Van Arsdale, a senior loan arranger in Houston for Dallas-based BMC Capital LP, pulled together a package with Greystone Servicing Corp. of New York City, incorporating one year of interest-only payments.

"We purchased it at significantly below the asking price," Lee-Wen says. "Very few properties in Irving are selling for less than \$30,000 per door, especially this nice of a property." He admits the price was re-traded after due diligence when the investment group learned the class B property had been on a lender's watch list.

"We're taking on an under-improving asset and will improve it," Lee-Wen emphasizes. "We're going to get in, make some money on it and get out." Dirk Goris with CB Richard Ellis had marketed Knollwood Apartments for a private investment group from Dallas, which had owned it since July 1994.

Knollwood Apartments has one-, two- and three-bedroom units ranging from 600 sf to 1,299 sf. Monthly rents are \$525 to \$910. Devonshire Management Co. of Dallas has been brought in to lease and manage it.

"The expenses are really high. We're going to get those expenses down," Lee-Wen vows. "We've done our homework and believe we can run this much more efficiently. It has a high turnover and that suppresses income. We believe we can resolve that."

PPA Group is one of the many value-add buyers scouring the four major metros as Texas continues to produce strong multifamily market fundamentals. And before the year ends, Lee-Wen says PPA will own another 1,700 units in Arlington, Waco and a portfolio in San Antonio.

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